



Participation, accounting and learning how to implement a new vision



E. Pieter Jansen

University of Groningen, P.O. Box 800, 9700 AV Groningen, The Netherlands

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ABSTRACT

To realize a senior management's new vision, the participation of lower managers and workers is often of great importance: lower managers and workers have to develop knowledge and learn how to implement a new vision. However, the expected positive effects of participation are often unrealistic and the academic literature is not clear about which forms of participation are effective. The normative accounting literature provides tools to match a senior management's vision and accounting information. This paper explores how accounting information can be used as a tool to facilitate participation that is effective in the development of knowledge and in helping lower managers and workers to learn how to implement senior management's new vision. On the basis of an interventionist study, this paper proposes three specific forms of participation: formal participation, informal hierarchical participation and participation through the "organizational community". The differences between these forms of participation concern the relationships among the organization's members, the range of people involved and the (accounting and fine-grained) information that is exchanged. The differences between the proposed forms of participation is in the information that is exchanged and this has consequences for the development of the knowledge of the organization's members and for their learning how they can contribute to the realization of the new vision.

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1. Introduction

Senior managers who want to implement a new vision not only need to change the organization's members' views concerning their goals, objectives and performance, but they also need to ensure that lower managers and workers know how to contribute to the realization of this vision. If knowledge about how to realize the new vision is not yet available, senior managers, lower managers and workers will have to cooperate in developing this knowledge. In other words, senior management is likely to be dependent on the participation of lower managers and workers in organizational learning about how to implement the new vision. However, the rate of failure for such changes is high (Russ, 2008; p. 208; Armenakis et al., 1993; By, 2005, 2007).

Participation programs are based on the expectation that they will have significant positive effects on outcomes. There are many forms of participation (see, for example, the influential classification by Dachler and Wilpert, 1978). There is also a vast empirical literature which has investigated the effects of different forms of participation on various organizational outcomes, such as absenteeism, costs of performance, intention to quit, turnover, quality of work life, fairness perceptions, motivation, clarity of decision

making and employees' individual well-being. Unfortunately, this research has indicated that the expectations concerning the positive effects of participation are often unrealistic (see, for example, the literature reviews by Dachler and Wilpert, 1978; Locke and Schweiger, 1979; Cotton et al., 1988; Woodman, 1989; Glew et al., 1995). In general, the existing literature does not provide consistent evidence that and if so, how, specific forms of participation can positively affect specific outcomes.

This raises the question of how our understanding of the way in which specific forms of participation in organizational learning to support the implementation of a new vision can be further refined. Argote and Miron-Spektor (2011, p. 1129–1130) argued that the effect of "tools" on the creation of knowledge in organizations is a research area in its infancy and needs to be further developed. There are only a few studies that investigate whether tools, such as information systems, facilitate learning (Boland et al., 1994; Ashworth et al., 2004 and Kane and Alavi, 2007). In management accounting, there is a vast normative literature that recommends the use of accounting information as tools to support the implementation of a new vision; for example, customer satisfaction ratings, customer loyalty, customer profitability, customer costs, market share, retention and costs of quality (see, for example, literature on the Balanced Scorecard, Kaplan and Norton, 1992, 1993, 1996a,b; strategic cost management, Govindarajan and Shank, 1992 and customer profitability analysis, Smith and Dikolli, 1995). However, management

E-mail address: e.p.jansen@rug.nl

accounting research conducted thus far throws little light on how such information can help lower managers and workers to participate in the organizational learning needed to implement a new vision (Langfield-Smith, 2008, p. 204; Nixon and Burns, 2012; p. 237; Tillmann and Goddard, 2008; p. 81).

In summary, there are many forms of participation, and they can have differing, often disappointing, effects on organizational outcomes and research concerning the usefulness of “tools” for organizational learning is still in its “infancy” (Argote and Miron-Spektor, 2011; p. 1129–1130). As a result, it remains unclear how tools provided by the normative management accounting literature can contribute to learning how to implement senior management’s new vision. Therefore, this paper explores how management accounting information can be used as a tool to facilitate the participation of lower managers and workers in organizational learning about how to implement senior management’s new vision.

The empirical work for the paper was executed in an automotive company called Van den Udenhout (VdU). Together with several of VdU’s managers, the author took part in an interventionist research project in which a new vision was formulated and the available management accounting information was changed to support the various employees in learning how to implement this new vision. The intervention was designed and executed by a project team, consisting of four VdU managers and an academic researcher (the author of this paper).

The paper analyses the consequences of the intervention by comparing how the company’s four dealerships participated in the organizational learning needed to implement the senior management’s new vision. On the basis of this comparison, it proposes three forms of participation: i.e., formal participation, informal hierarchical participation and participation through the organizational community. These forms differ on the following dimensions: (1) the relationships between members of the organization; (2) the way in which (both accounting and fine-grained) information is used and (3) the effectiveness of the forms of participation in organizational learning about how to implement the new vision. It will be argued that embedded relationships among an organization’s members are the basis for informal participation, which is more effective than formal participation. These embedded relationships facilitate the exchange of fine-grained information. Supplementing accounting information with fine-grained information is important for the effectiveness of the participation of lower managers and workers in developing the knowledge about how to implement a new vision.

The paper is organized as follows. Section 2 introduces the study’s setting: it provides a description of the company, its new vision, the intervention and a justification of the ideas that were the basis of the intervention. Section 3 defines the key-concepts and sets out the distinction between accounting information and fine-grained information, between formal and informal participation and between arm’s length and embedded relationships. Section 4 uses these concepts to explain differences between the dealerships in how accounting information facilitated participation in organizational learning about how to implement senior management’s new vision. Finally, Section 5 concludes the paper.

2. The intervention and the setting of the study

VdU is a multi-outlet automotive company located in Brabant, a Southern region of the Netherlands. Until the end of 2010, VdU owned four car dealerships (in Den Bosch, Oss, Zaltbommel and Boxtel). Each of these four dealerships was organized in two profit centres: *Sales* (new and used cars) and *After Sales* (service and parts). In addition, VdU had the following separate profit centres: two

body shops (in Den Bosch and in Oss), a car lease company and a finance & insurance department. Each profit centre had its own profit centre manager with the exception of the bodyshops where there was only one manager in charge of both bodyshops. VdU’s brands were Volkswagen, Volkswagen Commercial Vehicles and Audi. At the time VdU had a central management team with the following members: the MD, the controller, the human resources manager, the manager of the bodyshops, two managers of the car lease company, the central sales manager (who supervised all the dealership managers) and the central after sales manager (who supervises all the after sales profit centre managers in collaboration with the dealership managers). In 2008, VdU employed 291 employees (expressed in full time equivalents). Exhibit 1 provides some background information about VdU.

The project started in the Summer of 2007 when the MD and the academic researcher discussed some initial ideas about ways to lengthen the time frame of car dealership managers. The project was organized in three stages (the design of the intervention, its implementation, and its evaluation). The intervention started with the formulation of the MD’s new vision, the design of the accounting information and a specification of the information system that was needed to support the implementation of the new vision. During this stage (in November and December 2007) the academic researcher interviewed 15 VdU managers (i.e., all the members of the management team, the dealership managers and the managers of the biggest service departments). These interviews were all recorded and transcribed. The MD’s new vision, the new accounting information and the project team’s ideas about the implementation of these changes were described in a report and in three PowerPoint presentations which were later used in workshops to introduce the new vision and the new accounting information.

These workshops (two in March 2009 and one in January 2010) were part of the second stage of the project, i.e., the implementation of the change. In addition to these workshops, individual interviews were held with dealership managers and salesmen. VdU’s 21 salesmen were interviewed twice; for the first time in April and June 2009 and for the second time in September and October 2009. The dealership managers were interviewed in June 2009. The academic researcher documented the project team’s experiences during these workshops in his research diary. All the interviews with dealership managers and salesmen after the introduction of the changes were also recorded. In these interviews the realized changes were discussed and this provided an important source of information concerning the success of the intervention and an explanation of the changes. All these interviews were summarized in a short report. In addition, the academic researcher selected three interviews with salesmen that provided insights into successes and failures in the implementation of the new vision and these were transcribed.

In stage 3, which took place between November 2010 and January 2011, the academic researcher evaluated the extent to which and the way in which the new vision had been implemented and the way the new accounting information was being used. For this evaluation all the members of VdU’s management team were interviewed. These interviews were recorded and transcribed.

Throughout the project the academic researcher maintained a research diary which documents his experiences during the workshops and information gathered on an informal basis at the coffee corner, at the lunch table, in the corridors, in the showroom and even at the wedding of one of VdU’s managers. During his visits, the academic researcher used a desk in or near the showroom, and his observations, ideas and impressions were also recorded in his diary. After the evaluation of the project, data were available in the form of interview transcripts, summaries of interviews, the academic researcher’s diary and numerous documents.

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